GOVERNMENT OF INDIA
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
LOK SABHA

UNSTARRED QUESTION NO:4365
ANSWERED ON:28.03.2017
Service Charge at Hotels
Adsul Shri Anandrao ;Khadse Smt. Raksha Nikhil;Misra Shri Pinaki;Raut Shri Vinayak Bhaurao;Shewale Shri Rahul Ramesh;Shinde Dr. Shrikant Eknath;Shrirang Shri Chandu Barne

Will the Minister of CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION be pleased to state:

(a) whether the Union Government has requested State Governments to sensitize companies, hotels and restaurants regarding provisions of the Consumer Protection Act, if so, the details thereof;
(b) whether the Union Government has also advised State Governments to put up notice making service charge optional, if so, the details thereof;
(c) whether the hotels and restaurants inflate bills in the name of service charge which is absolutely illegal and if so, the reasons of the Union Government thereto;
(d) whether there is a need to bring a strict law to ban service charge instead of the notification making it optional for the consumer, if so, the response of the Union Government thereto and the corrective steps taken or proposed by the Union Government in this regard including the immediate steps taken by the Union Government to do away with the service charge; and
(e) whether Government proposes to make provision in New Consumer Protection Bill to set up a regulator CCPA (Consumer Credit Protection Act) for the unfair trade practice followed to collect the service charges on food and drink at hotels and if so, the details thereof?

Answer

THE MINISTER OF STATE
CONSUMER AFFAIRS, FOOD AND PUBLIC DISTRIBUTION
(SHRI C. R. CHAUDHARY)

(a) to (c) : It has come to the notice of the department of Consumer Affairs through a number of complaints from consumers received in the National Consumer Helpline that hotels and restaurants are following the practice of charging 'service charge' in the range of 5-20% , in lieu of tips. The Department has advised the State Governments to sensitize the companies, hotels and restaurants in the state regarding the provisions of the Consumer Protection Act, 1986 relating to unfair trade practice and legal action against such practice and to disseminate the information through display at the appropriate place in the hotels/restaurants that the 'service charges' are discretionary/voluntarily and a consumer dissatisfied with the services can have it waived off.

(d) : The Consumer Protection Act, 1986 already provides that a trade practice which, for the purpose of promoting the sale, use or the supply of any goods or for the provision of any service, adopts any unfair method or deceptive practice, is to be treated as an unfair trade practice. The said Act further provides that a consumer can make a complaint to the appropriate consumer forum established under the Act against

(i) an unfair trade practice adopted by any trader or service provider
(ii) the services hired or availed of, suffered from deficiency in any respect
(iii) a trader or service provider, as the case may be, has charged for the goods or for the services a price in excess of the price (a) fixed by or under any law for the time being enforce, (b) displayed on the goods or any package containing such goods, (c) displayed on the price list exhibited by him or under any law for the time being in force or (d) agreed between the parties.

Forceful charging of the service charges, being an unfair trade practice, can be complained against in a Consumer Forum of appropriate jurisdiction for redressal, as per provisions of the Consumer Protection Act, 1986.

(e) : The Government has already introduced the Consumer Protection Bill, 2015 in Parliament. The Bill seeks to establish an executive agency to be called the Central Consumer Protection Authority, which will look into matters of unfair trade practices.
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